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**WARD THREE MARSHAL
FOR THE PARISH OF ST. MARY**
Franklin, Louisiana

Financial Report

Year Ended June 30, 2004

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 1-24-05

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INDEPENDENT AUDITOR'S REPORT

Honorable David J. McCoy, Jr.
Ward Three Marshal for the Parish of St. Mary
Franklin, Louisiana

We have audited the accompanying financial statements of the governmental activities, the major fund and the aggregate remaining fund information of the Ward Three Marshal for the Parish of St. Mary (hereinafter "Marshal"), a component unit of the City of Franklin, as of June 30, 2004, and for the year then ended, which collectively comprise the Marshal's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Marshal. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of the Ward Three Marshal for the Parish of St. Mary, as of June 30, 2004, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued a report dated November 10, 2004 on our consideration of the Marshal's internal control over financial reporting and our tests on certain provisions of its compliance with laws and regulations. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of the engagement.

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As described in Note 2, the Marshal has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments, as of June 30, 2004.

The required supplementary information on pages 24 and 25 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The Marshal has not presented management’s discussion and analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Kolder, Champagne, Slaven & Company, LLC
Certified Public Accountants

Morgan City, Louisiana
November 10, 2004

BASIC FINANCIAL STATEMENTS

**GOVERNMENT-WIDE
FINANCIAL STATEMENTS (GWFS)**

WARD THREE MARSHAL FOR THE PARISH OF ST. MARY
Franklin, Louisiana

Statement of Net Assets
June 30, 2004

	<u>Governmental Activities</u>
ASSETS	
Cash and interest-bearing deposits	\$ 8,885
Due from other governmental units	1,394
Due from others	1,073
Capital assets, net	<u>14,628</u>
Total Assets	<u>25,980</u>
LIABILITIES	
Accounts, salaries, and other payables	<u>1,064</u>
Total liabilities	<u>1,064</u>
NET ASSETS	
Invested in capital assets	14,628
Unrestricted	<u>10,288</u>
Total net assets	<u>\$ 24,916</u>

The accompanying notes are an integral part of the basic financial statements.

WARD THREE MARSHAL FOR THE PARISH OF ST. MARY
Franklin, Louisiana

Statement of Activities
Year Ended June 30, 2004

Functions/Programs	Program Revenues		Net (Expense) Revenue and Changes in Net Assets
	Charges for Services	Operating Grants and Contributions	
Governmental activities:			
General government	\$ <u>86,992</u>	\$ <u>73,635</u>	\$ 11,275
General revenue:			
Interest			<u>15</u>
Change in net assets			11,290
Net assets - July 1, 2003, as restated			<u>13,626</u>
Net assets - June 30, 2004			\$ <u>24,916</u>

The accompanying notes are an integral part of the basic financial statements.

FUND FINANCIAL STATEMENTS (FFS)

MAJOR FUND DESCRIPTION

General Fund

The General Fund is used to account for resources traditionally associated with governments which are not required to be accounted for in another fund.

WARD THREE MARSHAL FOR THE PARISH OF ST. MARY
Franklin, Louisiana

Balance Sheet
Governmental Fund
June 30, 2004

	<u>General Fund</u>
ASSETS	
Assets:	
Cash and interest-bearing deposits	\$ 8,885
Due from other governmental units	1,394
Due from others	<u>1,073</u>
 Total assets	 <u>\$ 11,352</u>
 LIABILITIES AND FUND BALANCE	
Liabilities:	
Accounts payable	\$ 1,064
Fund Balance:	
Unreserved and undesignated	<u>10,288</u>
 Total liabilities and fund balance	 <u>\$ 11,352</u>

The accompanying notes are an integral part of the basic financial statements.

WARD THREE MARSHAL FOR THE PARISH OF ST. MARY
Franklin, Louisiana

Reconciliation of the Governmental Fund Balance Sheet
to the Statement of Net Assets
June 30, 2004

Total fund balance for the governmental fund at June 30, 2004		\$	10,288
Total net assets reported for governmental activities in the statement of net assets is different because:			
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. Those assets consist of			
Vehicles, furniture and equipment	33,953		
Less: Accumulated depreciation at June 30, 2004	<u>(19,325)</u>		<u>14,628</u>
Net assets at June 30, 2004		\$	<u>24,916</u>

The accompanying notes are an integral part of the basic financial statements.

WARD THREE MARSHAL FOR THE PARISH OF ST. MARY
Franklin, Louisiana

Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Fund
Year Ended June 30, 2004

	<u>General Fund</u>
Revenues:	
Local Sources-	
Court fees and costs	\$ 24,632
Intergovernmental	73,635
Interest	<u>15</u>
Total revenues	<u>98,282</u>
Expenditures:	
Current -	
General government	81,406
Capital outlay	<u>10,834</u>
Total expenditures	<u>92,240</u>
Excess of revenues over expenditures	6,042
Fund balances, beginning, as restated	<u>4,246</u>
Fund balance, ending	<u>\$ 10,288</u>

The accompanying notes are an integral part of the basic financial statements.

WARD THREE MARSHAL FOR THE PARISH OF ST. MARY
Franklin, Louisiana

Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balance of Governmental Fund
to the Statement of Activities
Year Ended June 30, 2004

Total net changes in fund balance for the year ended June 30, 2004 per
Statement of Revenues, Expenditures and Changes in Fund Balances \$ 6,042

The change in net assets reported for governmental activities in the
statement of activities is different because:

*Governmental funds report capital outlays as expenditures. However,
in the statement of activities, the cost of those assets is allocated over
their estimated useful lives and reported as depreciation expense.*

Capital outlay which is considered expenditures on Statement
of Revenues, Expenditures and Changes in Fund Balances
Depreciation expense for the year ended June 30, 2004

\$ 10,834	
<u>(5,586)</u>	
	<u>5,248</u>

Total changes in net assets for the year ended June 30, 2004 per
Statement of Activities \$ 11,290

The accompanying notes are an integral part of the basic financial statements.

WARD THREE MARSHAL FOR THE PARISH OF ST. MARY
Franklin, Louisiana

Notes to Financial Statements

INTRODUCTION

On September 1, 1968, R.S. Chapter 7 Section 2488.1 established and created the City Court of the Town of Franklin. The territorial jurisdiction of which shall extend throughout the Town of Franklin, Louisiana and throughout the whole of Ward Three of St. Mary Parish. The court is composed of a city judge, a marshal and a clerk of said court. The office of marshal is elected for a six-year term. The Marshal's salary is funded by the St. Mary Parish Council and by the City of Franklin at no cost to the Marshal's Cost Fund.

(1) Summary of Significant Accounting Policies

The accompanying component unit financial statements of the Ward Three Marshal for the Parish of St. Mary (hereinafter "Marshal") have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The following is a summary of certain significant accounting policies:

A. Reporting Entity

As the governing authority of the city, for reporting purposes, the City of Franklin is the financial reporting entity. The financial reporting entity consists of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Governmental Accounting Standards Board Statement No. 14 established criteria for determining which component units should be considered part of the City of Franklin for financial reporting purposes. The basic criterion for including a potential component unit within the reporting entity is financial accountability. The GASB has set forth criteria to be considered in determining financial accountability. This criteria includes:

1. Appointing a voting majority of an organization's governing body, and
 - a. the ability of the City to impose its will on the organization and/or
 - b. the potential for the organization to provide specific financial benefits to or impose specific financial burdens on the City.

WARD THREE MARSHAL FOR THE PARISH OF ST. MARY
Franklin, Louisiana

Notes to Financial Statements (Continued)

- c. the potential for the organization to provide specific financial benefits to or impose specific financial burdens on the City.
2. Organizations for which the City does not appoint a voting majority but are fiscally dependent on the City.
3. Organizations for which the reporting entity financial statements would be misleading if data of the organization is not included because of the nature or significance of the relationship.

Because the City of Franklin provides office space to the Marshal and the significance of the relationship between the Marshal and City, the Marshal was determined to be a component unit of the City of Franklin, the financial reporting entity. The accompanying financial statements present information only on the funds maintained by the Marshal and do not present information on the City, the general government services provided by the governmental unit, or the other governmental units that comprise the financial reporting entity.

B. Basis of Presentation

Government-Wide Financial Statements (GWFS)

The statement of net assets and the statement of activities display information about the Marshal as a whole. These statements include all the financial activities of the Marshal. Information contained in these statements reflects the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange or exchange-like transactions are recognized when the exchange occurs (regardless of when cash is received or disbursed). Revenues, expenses, gains, losses, assets and liabilities resulting from nonexchange transactions are recognized in accordance with the requirements of GASB Statement No. 33, "Accounting and Financial Reporting for Nonexchange Transactions."

The statement of activities presents a comparison between direct expenses and program revenues for each function of the Marshal's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees and charges paid by the recipients for goods or services offered by the programs, and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

WARD THREE MARSHAL FOR THE PARISH OF ST. MARY
Franklin, Louisiana

Notes to Financial Statements (Continued)

Fund Financial Statements (FFS)

The Marshal uses funds to maintain its financial records during the year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain functions and activities. A fund is defined as a separate fiscal and accounting entity with a self-balancing set of accounts. The only fund of the Marshal is classified as a governmental fund type. The emphasis on fund financial statements is on major funds, each displayed in a separate column. A fund is considered major if it is the primary operating fund of the Marshal or its total assets, liabilities, revenues, or expenditures of the individual governmental fund is at least 10 percent of the corresponding total for all governmental funds. The governmental fund of the Marshal is considered to be the major fund.

The major fund of the Marshal is described below:

Governmental Fund -

General Fund

The General Fund, as provided by Louisiana Revised Statutes is the principal fund of the Marshal and is used to account for the operations of the Marshal. The Marshal's primary source of revenue is fees from the City Court of Franklin. General operating expenditures are paid from this fund.

C. Measurement Focus/Basis of Accounting

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

Measurement Focus

On the government-wide statement of net assets and the statement of activities, governmental activities are presented using the economic resources measurement focus as defined in item b. below. In the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus is used as appropriate:

- a. The governmental fund utilizes a "current financial resources" measurement focus. Only current financial assets and liabilities are generally included on its balance sheet. Their operating statement presents sources and uses of available expendable financial resources during a given period. This fund uses fund balance as its measure of available expendable financial resources at the end of the period.

WARD THREE MARSHAL FOR THE PARISH OF ST. MARY
Franklin, Louisiana

Notes to Financial Statements (Continued)

- b. The government-wide financial statement utilizes an “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery) and financial position. All assets and liabilities (whether current or noncurrent) associated with its activities are reported. Government-wide fund equity is classified as net assets.

Basis of Accounting

In the government-wide statement of net assets and statement of activities, the governmental activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures (including capital outlay) generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

D. Assets, Liabilities and Equity

Cash and interest-bearing deposits

For purposes of the statement of net assets, cash and interest-bearing deposits include all demand accounts, savings accounts, and certificates of deposits of the Marshal.

Capital Assets

Capital assets, which include vehicles, furniture, and equipment, are reported in the governmental activities column in the government-wide financial statements. Capital assets are capitalized at historical cost or estimated cost if historical cost is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The Marshal maintains a threshold level of \$500 or more for capitalizing capital assets. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

WARD THREE MARSHAL FOR THE PARISH OF ST. MARY
Franklin, Louisiana

Notes to Financial Statements (Continued)

Depreciation of all exhaustible capital assets is recorded as an expense in the statement of activities, with accumulated depreciation reflected in the statement of net assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Vehicles	5 years
Furniture and equipment	5-10 years

Equity Classifications

In the government-wide statements, equity is classified as net assets and displayed in three components:

- a. Invested in capital assets, net of related debt – consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net assets – consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets – all other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

In the fund statements, governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved further split between designated and undesignated.

E. Expenditures, and Expenses

Expenditures/Expenses

In the government-wide financial statements, expenses are classified by function. In the fund financial statements, expenditures are classified as follows:

Governmental Funds – by character and function

WARD THREE MARSHAL FOR THE PARISH OF ST. MARY
Franklin, Louisiana

Notes to Financial Statements (Continued)

F. Budgetary Practice

Ward Marshals are required under Louisiana Revised Statute 39:1301 et seq to adopt a budget. The Marshal follows these procedures in establishing the budgetary data reflected in the financial statements:

1. A proposed budget is prepared and submitted to the Marshal for the fiscal year prior to the beginning of each fiscal year.
2. If proposed expenditures exceed \$250,000, a summary of the proposed budget is published and the public is notified that the proposed budget is available for public inspection. At the same time, a public hearing is called, if required.
3. If required, a public hearing is held on the proposed budget at least ten days after publication of the call for a hearing.
4. After the holding of the public hearing, if required, and completion of all action necessary to finalize and implement the budget, the budget is legally adopted prior to the commencement of the fiscal year for which the budget is being adopted.
5. All budgetary appropriations lapse at the end of each fiscal year.
6. The budget is not adopted on a basis consistent with generally accepted accounting principles (GAAP). Budgeted amounts included in the accompanying financial statements are as originally adopted or as finally amended by the Marshal. Such amendments were not material in relation to the original appropriations.

WARD THREE MARSHAL FOR THE PARISH OF ST. MARY
Franklin, Louisiana

Notes to Financial Statements (Continued)

(2) Changes in Accounting Principles

For the year ended June 30, 2004, the Ward Three Marshal of the Parish of St. Mary has implemented GASB Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments. GASB Statement No. 34 creates new basic financial statements for reporting on the Marshal’s financial activities. The financial statements now include government-wide financial statements prepared on the accrual basis of accounting, and fund financial statements which present information for individual major funds rather than by fund type which has been the mode of presentation in previously issued financial statements. The Marshal also implemented GASB Statement No. 37, Basic Financial Statements – And Management’s Discussion and Analysis – For State and Local Governments: Omnibus, No. 38, Certain Financial Statement Note Disclosures, and Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements.

The implementation of GASB Statement No. 34 caused the opening fund balance at June 30, 2003 to be restated in terms of “net assets” as follows:

Total fund balance - Governmental Fund - at June 30, 2003, as restated	\$ 4,246
Add: Cost of capital assets at June 30, 2003	\$ 23,119
Less: Accumulated depreciation at June 30, 2003	<u>(13,739)</u> <u>9,380</u>
 Net assets at June 30, 2003	 <u>\$ 13,626</u>

(3) Cash and Interest-bearing Deposits

Under state law, the Marshal may deposit funds within a fiscal agent bank organized under the laws of the State of Louisiana, the laws of any other state in the Union, or the laws of the United States. The Marshal may invest in certificates and time deposits of state banks organized under Louisiana law and national banks having principal offices in Louisiana. At June 30, 2003, the Marshal has a cash balance (book balance) totaling \$8,885.

These deposits are stated at cost, which approximates market. Under state law, these deposits, (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent bank. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. Deposit balances (bank balances) at June 30, 2004, were \$11,588, which were fully secured by federal deposit insurance.

WARD THREE MARSHAL FOR THE PARISH OF ST. MARY
Franklin, Louisiana

Notes to Financial Statements (Continued)

(4) Due from Other Governments

Due from other governments at June 30, 2004 consisted of:

City Court of Franklin \$ 1,394

(5) Capital Assets

A summary of changes in capital assets follows:

	Balance <u>6/30/2003</u>	Additions	Deletions	Balance <u>6/30/2004</u>
Vehicles	\$ 21,365	\$ -	\$ -	\$ 21,365
Furniture and equipment	<u>1,754</u>	<u>10,834</u>	<u>-</u>	<u>12,588</u>
Total	<u>\$ 23,119</u>	<u>\$ 10,834</u>	<u>\$ -</u>	<u>\$ 33,953</u>
 Accumulated depreciation	 <u>\$ 13,739</u>	 <u>\$ 5,586</u>	 <u>\$ -</u>	 <u>\$ 19,325</u>

An adjustment was made to reduce the beginning balance by \$1,910 to reflect the new capitalization policy of \$500.

(6) Retirement Plan

Substantially, all employees of the Marshal's office are members of the Municipal Employees' Retirement System of Louisiana, a cost-sharing, multiple-employer defined benefit pension plan administered by a separate board of trustees. The System is composed of two distinct plans, Plan A and Plan B, with separate assets and benefit provisions. All employees of the Marshal's office are members of Plan A. All permanent employees working at least 35 hours per week who are paid wholly or in part from city funds and all elected city officials are eligible to participate in the System.

Regular retirement benefits

A member of Plan A is eligible to retire and receive regular benefits if:

1. He has credit for at least thirty years of service, regardless of his age;
2. He has credit for at least twenty-five years of service and is at least the age of fifty-five; or
3. He has credit for at least ten years of service and is at least the age of sixty years.

WARD THREE MARSHAL FOR THE PARISH OF ST. MARY
Franklin, Louisiana

Notes to Financial Statements (Continued)

The Plan A regular retirement benefit is an amount equal to three percent of the member's final compensation multiplied by his years of credited service (three percent multiplied by each year of credited service multiplied by final compensation), provided that:

1. A member who held an elective office in participating municipality is paid an additional benefit equal to one-half of one percent of the member's final compensation multiplied by each year of such elective service (one-half of one percent multiplied by final compensation); and
2. For an employee who was a member only of the supplemental plan prior to the revision date, the benefit earned for service credited prior to the revision date will be determined on the basis of one percent of final compensation plus two dollars per month for each year of service credited prior to the revision date, and three percent of final compensation for each year of service after the revision date.

Applications for regular retirement should be submitted to the system at least six weeks prior to the planned retirement date. A copy of the member's birth certificate and, if an optional mode of benefit payments is selected, a copy of the option beneficiary's birth certificate must be attached to the application for retirement.

The system also provides death and disability benefits.

The System issued an annual, publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Municipal Employees' Retirement System of Louisiana, 7937 Office Park Boulevard, Baton Rouge, Louisiana, 70809-7606, or by calling (504) 925-4810.

Fund Policy. Under Plan A, members are required by state statute to contribute 9.25% of their annual covered salary and the Marshal is required to contribute at an actuarially determined rate. The current rate is 8% of annual covered payroll. Contributions to the System also include one-fourth of one percent (except Orleans and East Baton Rouge parishes) of the taxes shown to be collectible by the tax rolls of each parish. These tax dollars are divided between Plan A and Plan B based proportionately on the salaries of the active members of each plan. The contribution requirements of plan members and the marshal are established and may be amended by state statute. As provided by R.S. 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The marshal's contributions to the System under Plan A were equal to the required contributions for each year.

(7) On-Behalf Payments for Salaries

During 1996 the Marshal implemented GASB Statement No. 24, "Accounting and Financial Reporting for Certain Grants and Other Financial Assistance". This standard requires the Marshal to report in the financial statements on-behalf salary payments made by the City of Franklin to the Marshal's employees. Salary payments are made by the City directly to the employees. The basis for recognizing the revenue and expenditure payments is that actual contribution made by the City. For 2004, the City paid salaries to the city marshal, deputy marshals and secretary. On-behalf payments recorded as revenues and expenditures in the general fund financial statements for 2004 totaled \$61,635.

WARD THREE MARSHAL FOR THE PARISH OF ST. MARY
Franklin, Louisiana

Notes to Financial Statements (Continued)

(8) Expenditures of the Marshal's Office Paid by the City of Franklin

The cost of some expenditures for the operation of the Marshal's Office as required by Louisiana Revised Statute 13:1889, is paid by the City of Franklin. Such expenditures are not included in the accompanying financial statements.

(9) Prior Period Adjustment

Certain errors resulting in the understatement of net assets and unreserved fund balance of the general fund in the Marshal's previously issued financial statements have been corrected in the current year. The correction resulted in an increase in net assets and unreserved fund balance of the general fund in the amount of \$9,000 and was due to an incorrect accrual of salaries and wages due to the City of Franklin.

**REQUIRED SUPPLEMENTARY
INFORMATION**

WARD THREE MARSHAL FOR THE PARISH OF ST. MARY
Franklin, Louisiana

Budgetary Comparison Schedule
General Fund
Year Ended June 30, 2004

	<u>Original Budget</u>	<u>Actual (Non-GAAP Basis)</u>	<u>Variance - Favorable (Unfavorable)</u>
Revenues:			
Local Source-			
Court fees and costs	\$ 24,995	\$ 24,632	\$ (363)
Intergovernmental	12,000	12,000	-
Interest income	<u>15</u>	<u>15</u>	<u>-</u>
Total revenues	<u>37,010</u>	<u>36,647</u>	<u>(363)</u>
Expenditures:			
Current -			
General government:			
Accounting services	8,500	4,030	4,470
Automobile	6,000	5,751	249
Bank Charges	40	42	(2)
Insurance	3,620	420	3,200
Marshal expense	1,800	647	1,153
Office expense	750	771	(21)
Miscellaneous	2,700	2,718	(18)
Postage	110	108	2
Repairs and maintenance	500	493	7
Salary reimbursement	2,000	2,000	-
Telephone	1,500	1,182	318
Seminars	1,500	1,609	(109)
Capital outlay	<u>10,834</u>	<u>10,834</u>	<u>-</u>
Total expenditures	<u>39,854</u>	<u>30,605</u>	<u>9,249</u>
Excess (deficiency) of revenues over expenditures	<u>(2,844)</u>	<u>6,042</u>	<u>8,886</u>
Fund balance, beginning, as restated	<u>4,246</u>	<u>4,246</u>	<u>-</u>
Fund balance, ending	<u>\$ 1,402</u>	<u>\$ 10,288</u>	<u>\$ 8,886</u>

See independent auditor's report.

WARD THREE MARSHAL FOR THE PARISH OF ST. MARY
Franklin, Louisiana

Notes to Budgetary Comparison Schedule

(1) Basis of Accounting

The budget is not adopted on a basis consistent with generally accepted accounting principles (GAAP). Budgeted amounts are as originally adopted or as finally amended by the Marshal.

(2) Non-GAAP Reporting Reconciliation

Budgetary amounts adopted by the Marshal do not include on-behalf payments made by the City of Franklin to the Marshal's employees for salaries and related benefits. These on-behalf payments are reflected as a revenue and an expenditure in the Marshal's financial statements as required by GASB Statement No. 24, Accounting and Financial Reporting for Certain Grants and Other Financial Assistance. Actual amounts are reconciled on a non-GAAP basis for comparison to budget as follows:

	As Reported	Adjustment to Budgetary Basis	Non-GAAP Basis
Revenues:			
Intergovernmental	\$ 73,635	\$ (61,635)	\$ 12,000
Expenditures:			
General government	\$ 81,406	\$ (61,635)	\$ 19,771
Capital outlay	10,834	-	10,834
Total expenditures	\$ 92,240	\$ (61,635)	\$ 30,605

**COMPLIANCE
AND
INTERNAL CONTROL**

KOLDER, CHAMPAGNE, SLAVEN & COMPANY, LLC

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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Honorable David J. McCoy, Jr.
Ward Three Marshal for the Parish of St. Mary
Franklin, Louisiana

We have audited the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Ward Three Marshal for the Parish of St. Mary (hereinafter "Marshal") as of and for the year ended June 30, 2004, which collectively comprise the Marshal's basic financial statements and have issued our report thereon dated November 10, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Marshal's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect on the determination of general purpose financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Marshal's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Marshal's ability to record, process, summarize and report financial data consistent with the assertions of management in the general purpose financial statements. The reportable condition noted is described in the accompanying corrective action plan for current year findings as Item 2004-01.

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A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, the reportable condition referred to previously is considered to be a material weakness.

This report is intended for the information of management and others within the organization and is not intended to be and should not be used by anyone other than specified parties. However, under the provisions of Louisiana Revised Statutes 24:513 and 44:6, this report is a matter of public record and its distribution is not limited.

Kolder, Champagne, Slaven & Company, LLC
Certified Public Accountants

Morgan City, Louisiana
November 10, 2004

WARD THREE MARSHAL FOR THE PARISH OF ST. MARY
Franklin, Louisiana

Summary Schedule of Audit Results and Findings
Year Ended June 30, 2004

Part I. Summary of Auditor's Results:

An unqualified opinion was issued on the financial statements.

A reportable condition in internal control was disclosed by the audit of the financial statements and the condition is considered a material weakness.

The audit did not disclose any instances of noncompliance which are material to the financial statements.

A management letter was not issued.

Part II. Findings which are required to be reported in accordance with Government Auditing Standards

Internal control:

(a) Segregation of Duties

CONDITION: Accounting and financial functions are not adequately segregated.

CRITERIA: SAS55, Consideration of Internal Control in a Financial Statement Audit, as amended by SAS78, Consideration of Internal Control in a Financial Statement Audit: An Amendment to Statement on Auditing Standards No. 55, AU §319.06 defines internal control as follows:

“Internal control is a process – effected by an entity’s board of directors, management, and other personnel – designed to provide reasonable assurance regarding the achievement of objectives in the following categories: (a) reliability of financial reporting, (b) effectiveness and efficiency of operations, and (c) compliance with applicable laws and regulations.

Additionally, Statements on Standards for Attestation Engagements (SSAE) AT §400.02 states:

An entity’s internal control over financial reporting includes those policies and procedures that pertain to an entity’s ability to record, process, summarize, and report financial data consistent with the assertions embodied in either financial statements or interim financial statements, or both.”

CAUSE: The cause of the conditions is the result of a failure to design and implement policies and procedures necessary to achieve adequate internal control.

WARD THREE MARSHAL FOR THE PARISH OF ST. MARY
Franklin, Louisiana

Summary Schedule of Audit Results and Findings (continued)
Year Ended June 30, 2004

EFFECT: Failure to adequately segregate accounting and financial functions increases the risk that errors and/or irregularities including fraud and/or defalcations may occur and not be prevented and/or detected.

RECOMMENDATION We recommend that the Marshal consider implementing procedures, such as secondary controls, which may provide for limited detection of errors and/or irregularities on a timely basis.

Part III. Findings and questioned costs for federal awards required to be reported in accordance with Office of Management and Budget Circular A-133:

not applicable

WARD THREE MARSHAL FOR THE PARISH OF ST. MARY
Franklin, Louisiana

Summary Schedule of Prior Audit Findings
Year Ended June 30, 2004

Fiscal Year Finding Initially Occurred	Description of Finding	Corrective Action Taken (Yes, No, Partially)	Planned Corrective Action/Partial Corrective Action Taken
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Section I - Internal control and compliance material to the financial statements.

Compliance

2003-01	An operating budget for the general fund was not prepared and adopted.	Yes	N/A
2002-03	Certain expenditures appear to lack a necessary governmental purpose and invoices billed to another governmental body were satisfied with Marshal funds in violation of Louisiana State Constitution Article 7, Section 14, "Donation, Loan, or Pledge of Public Credit".	Yes	N/A

Internal Control

2002-01	Accounting and financial functions are not adequately segregated.	No	See corrective action plan for current year findings
2002-02	Supporting documentation or control logs could not be located to adequately determine expenditures' governmental purpose.	Yes	N/A

WARD THREE MARSHAL FOR THE PARISH OF ST. MARY
Franklin, Louisiana

Summary Schedule of Prior Audit Findings
Year Ended June 30, 2004

Fiscal Year Finding Initially Occurred	Description of Finding	Corrective Action Taken (Yes, No, Partially)	Planned Corrective Action/Partial Corrective Action Taken
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Section Ia - Other Internal control and compliance

No items were reported in this section.

Section II - Management letter

2002-06	2003	Supporting documentation was not recalculated and/or reviewed for accuracy resulting in duplicate payment of one invoice.	Yes	N/A
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WARD THREE MARSHAL FOR THE PARISH OF ST. MARY
Franklin, Louisiana

Corrective Action Plan for Current Year Findings
Year June 30, 2004

Ref. No.	Description of Finding	Corrective Action Planned	Name(s) of Contact Person(s)	Anticipated Completion Date
Section I - Internal control and compliance material to the financial statements.				
<u>Compliance</u>				
No items are applicable to this section.				
<u>Internal Control</u>				
2004-01	Accounting and financial functions are not adequately segregated.	No corrective action is planned. Due to the size of the operation and the cost-benefit of additional personnel, it may not be feasible to achieve complete segregation of duties.	N/A	N/A

Section Ia - Other Internal control and compliance

No items are applicable to this section.

Section II - Management letter

No items are applicable to this section.